

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 141720Z MAY 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0338

INFO AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 05983

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT: VISIT OF SAUDI MINISTER OF PETROLEUM YAMANI

REF: JIDDA 2425

BEGIN SUMMARY: SAUDI MINPET YAMANI MET WITH HMG OFFICIALS AND ATTENDED PRIVATELY SPONSORED MIDDLE EAST TRADE AND INVESTMENT SEMINAR MAY 7-10. IN TALKS AT FCO AND ENERGY DEPARTMENT, YAMANI DISCUSSED SAUDI SUPPORT FOR HIGH LEVEL GROUP OF 10 PRODUCER AND CONSUMER REPRESENTATIVE MEETING AT UN, NOT ECG, INITIATIVE WITH MINIMUM OF PUBLICITY. HE OPPOSED BRITISH SUGGESTION OF GROUP OF 12 GIVING BALANCED REPRESENTATION TO PRODUCERS, DEVELOPED AND DEVELOPING CONSUMERS. YAMANI CONFIRMED SAUDIS ARE SEEKING TO INCREASE OIL SUPPLY AND REDUCE PRICES, BUT COUPLED THIS WITH WARNING AGAINST CONSUMER STATE CONFRONTATION WHICH COULD RESULT IN SAUDI PRODUCTION FALLING TO 4 M/B/D. ON FUTURE ARAMCO AGREEMENT, YAMANI SAID SAUDIS WERE IN NO GREAT RUSH; IT WAS MORE IMPORTANT TO GET IT RIGHT RATHER THAN SOON. IN OFF-THE-RECORD REMARKS TO PRIVATE SEMINAR, HOWEVER, YAMANI WAS QUOTED AS SAYING SAUDIS HAD REACHED AGREEMENT IN PRINCIPLE ON OUTLINE OF NEW ARRANGEMENT WITH ARAMCO PARTNERS. END SUMMARY.

1. DURING VISIT TO LONDON WEEK OF MAY 6, SAUDI MINISTER OF PETROLEUM YAMANI MET WITH FCO, ENERGY AND TREASURY
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OFFICIALS, GAVE OFF-THE-RECORD SPEECH TO COMMITTEE ON

MIDDLE EAST TRADE AND HELD PUBLIC PRESS CONFERENCE. MAIN PURPOSE OF YAMANI VISIT APPARENTLY WAS TO ADDRESS PRIVATE SEMINAR OF LEADING BANKERS AND BUSINESSMEN ARRANGED JOINTLY BY COMMITTEE ON MIDDLE EAST TRADE (AN ADVISORY BODY OF BRITISH OVERSEAS TRADE BOARD) AND OAPEC. ALI ATTIGA, OAPEC SECRETARY-GENERAL, AND YOUSSEF SHARAWI, BAHREINI MINISTER OF DEVELOPMENT, ALSO ATTENDED SEMINAR.

2. FCO AND DEPARTMENT OF ENERGY OFFICIALS REPORT THAT YAMANI'S DISCUSSIONS WITH SECSTATE FOR ENERGY ERIC VARLEY AND FCO MINISTER OF STATE DAVID ENNALS TOUCHED ON UK ENERGY SITUATION, SAUDI INDUSTRIALIZATION PLANS AND PROSPECTS FOR BRITISH PARTICIPATION, ENERGY CONSERVATION, IMPACT OF ENERGY SITUATION ON DEVELOPING COUNTRIES, FINANCIAL ASSISTANCE EFFORTS BY ARAB AND OTHER OPEC LENDING INSTITUTIONS, PRODUCER-CONSUMER RELATIONS AND OIL PRICES. ACCORDING TO FCO OFFICIAL, MAIN POINTS OF INTEREST CONCERNED CONSUMER-PRODUCER RELATIONS AND OIL PRODUCTION-PRICING POLICY.

3. ON CONSUMER-PRODUCER RELATIONS, YAMANI STATED SAUDIS WANT UN TO TAKE INITIATIVE IN RECOMMENDING SMALL, RESTRICTED GROUP OF TEN CONSUMERS AND PRODUCERS MEETING OUTSIDE UN FORUM AT A VERY HIGH LEVEL WITH A MINIMUM OF PUBLICITY. HE MADE CLEAR THAT PRODUCERS WERE AGAINST CONFERENCE ARISING OUT OF WASHINGTON ENERGY CONFERENCE INITIATIVE. YAMANI ALSO NOTED IT WAS NECESSARY FIRST TO SETTLE ON AN AGENDA WHICH WOULD INCLUDE NOT ONLY PRICE QUESTION. HE SUGGESTED US, EEC, JAPAN, INDIA AND BRAZIL AS CONSUMER PARTICIPANTS AND SAUDI ARABI, IRAN, ALGERIA, VENEZUELA AND POSSIBLY INDONESIA AS PRODUCER PARTICIPANTS. IN RESPONSE TO BRITISH SUGGESTION THAT A GROUP OF TWELVE MIGHT INCLUDE REPRESENTATIVES OF FOUR PRODUCER, FOUR DEVELOPED CONSUMERS AND FOUR DEVELOPING CONSUMERS, YAMANI OBSERVED THAT SAUDIS WERE NOT LOOKING FOR EQUAL BALANCE OF NUMBERS AND HAD TOLD FRENCH THIS ALREADY.

4. ON OIL PRODUCTION AND PRICING, YAMANI INDICATED KING FAISAL WAS CONCERNED ABOUT EFFECT OF RAPID PRICE INCREASES ON WORLD ESPECIALLY DEVELOPING COUNTRY ECONOMIES AND
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CONFIRMED IT WAS SAUDI POLICY TO SEEK TO INCREASE SUPPLY AND REDUCE PRICES. HE COUPLED THIS STATEMENT HOWEVER WITH A WARNING AGAINST CONSUMER STATE CONFRONTATION, NOTING IT COULD LEAD TO A REDUCTION IN SAUDI PRODUCTION TO 4 M/B/D WHICH WOULD BE HEALTHIER FOR SAUDI ARABIA'S OWN ECONOMIC SITUATION. YAMANI OBSERVED SAUDIS WANTED OIL CONSUMPTION TO BE RESTRICTED THROUGH CONSERVATION BUT NONETHELESS WANTED PRICES TO DECREASE.

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ACTION SS-30

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5. IN DISCUSSING OIL PRICES AS SUCH, YAMANI SAID MOST OTHER OPEC COUNTRIES DID NOT WANT A PRICE DECREASE BUT THAT SAUDIS WILL TRY TO GET PRICES REDUCED OR AT LEAST HELD TO PRESENT LEVEL. YAMANI DECLARED SAUDIS WILL BE WATCHING MARKET CLOSELY AND MAY INCREASE PRODUCTION SLIGHTLY OVER 8.2 M/B/D, ASSUMING NO "CONSUMER CONFRONTATION". (NOTE: FCO SOURCE TELLS US RECORD DOES NOT REFLECT, AS REPORTED IN FT, ANY SUGGESTION BY YAMANI DURING COURTESY CALL ON SECSTATE FOR FCO CALLAGHAN THAT A CUT IN OIL PRICES OF 7 PER CENT WOULD BE FAIR).

6. ON FUTURE ARAMCO AGREEMENT, YAMANI MERELY NOTED SAUDIS WERE IN NO GREAT RUSH, THAT IT WAS MORE IMPORTANT TO GET IT RIGHT RATHER THAN SOON.

7. FCO SOURCE COMMENTED THAT YAMANI DID NOT CONVEY IMPRESSION OF IMPATIENCE ON QUESTION OF CONSUMER-PRODUCER MEETING. HMG HAD MADE CLEAR HOWEVER ITS INTEREST AND BELIEVED BALL WAS IN SAUDIS' COURT TO PURSUE IN UN OR WITH US. WHILE HMG PREFERS GROUP OF 12 WHICH WOULD REFLECT DISTINCT INTERESTS OF DEVELOPED AND DEVELOPING CONSUMERS, BRITISH WOULD ACCEPT YAMANI FORMULA SINCE DIALOGUE ITSELF IS MORE IMPORTANT THAN FORUM.

8. FINANCIAL TIMES AND INDUSTRY SOURCES REPORT THAT IN
OFF THE RECORD REMARKS TO MIDDLE EAST TRADE SEMINAR,
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YAMANI STATED SAUDI ARABIA HAD REACHED AGREEMENT IN
PRINCIPLE ON OUTLINE OF NEW ARRANGEMENT WITH ARAMCO
PARTNERS BUT DID NOT RESPOND H BERY ON SAUDI INTENTION
TO PURCHASE A STAKE IN SHARE HOLDER COMPANIES. ASKED
WHETHER NEW DEAL WOULD BE SIMILAR TO IRANIAN ONE, YAMANI
REPORTEDLY SAID QUOTE WHAT WE HAVE IN MIND IS DIFFERENT
UNQUOTE.

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Message Attributes

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Draft Date: 14 MAY 1974
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